

**Budget**  
**Wednesday, October 28, 2009**  
**5:06 P.M.**  
**Third Floor, City Hall**

Chairman King began the meeting by introducing the members of the committee that were present. A quorum was established.

1- [Louisville Water Company Overview of Proposed 2010 Budget - Vince Guenthner, Greg Heitzman and Amber Halloran](#)

The following was presented and discussed:

- Louisville Water Company (LWC) Vision
  - to remain the water supplier of choice throughout the region by providing safe, high quality water
- Louisville Water Company benchmarks other utilities in each of the following areas
  - Debt Service Coverage
  - Earnings
  - O&M costs per customer
  - Capital Improvement Program
- LWC creates value for the stockholder by
  - Investing approximately 50% of net income into the infrastructure of the waterworks
  - Investing the balance of net income as a dividend to the stockholder (2009 estimate of \$17 million)
  - Providing free water to all municipal buildings, parks and the zoo
  - Providing free water and maintaining over 21,000 public fire hydrants
- Return on Equity
  - City of Louisville originally invested \$1,275,100 to purchase the stock of the LWC
  - Over the years Louisville Metro has re-invested in the Company, so today the equity in LWC is over \$386 million
  - In 2004, LWC began benchmarking Return on Equity (ROE) allowed by State Regulatory Commissions like the KY PSC
  - In 2005, LWC conducted a financial analysis evaluating LWC's ROE and to establish benchmark performance ratios
  - In 2008, an updated study was prepared showing an average of allowed returns of 10.13% in 2006 & 2007
  - The 2009 budget anticipates a 9.73% return. LWC's goal is to reach a 10% return by 2013
- Water Rate Strategy

- LWC's strategic business plan calls for water rate increases to keep pace with inflation and assure reliable, high quality water is delivered to customers
  - Annual rate increases since 1985 have financed new technology to meet drinking water regulations, providing high quality water and re-investing in aging infrastructure
  - Louisville does not have the water infrastructure gap faced by other utilities across the nation, using a model infrastructure renewal program since 1985
  - Louisville is a pioneer in water treatment and proactively exceeds all EPA water quality regulations. This reduces the cost of regulatory compliance
  - With this strategic business approach, Louisville's water rates are competitive with regional water providers. In fact, rates are some of the lowest of benchmarked cities
- 2009 Impacts on Waters Sales
  - Total rain fall for the year, through September is 43.03 inches, with June and July 9 inches above 2008
  - Industrial consumption is down 18% from 2008 (economy)
  - Residential and Commercial consumption is down 6% and 3% respectively from 2008 (mostly wet weather patterns)
  - This represents the lowest consumption in 16 years (since 1993)
  - The major decline in water sales is weather related (about 85%), while the economic recession is contributing about 15%
- 2009 Cost Reduction Strategies
  - Reduction in O&M Costs by \$3.0 million
    - Hiring freeze and reduction in staff size, union and non-union
    - Salary freeze for senior management
    - Reduction in overtime
    - Restrictions on discretionary expenses
  - Reduction of \$20 million of capital expenditures, through project deferrals and lower bid prices
  - Deferring new bond issue until December of 2009
- 2010 Proposed Budget
  - 2010 Preliminary budget was presented to Board of Water Works on Tuesday, October 13
  - Total Operating Revenue of \$152,158,600
  - Bond issue of \$120 million with total interest expense of \$4.8 million in 2010
  - Rate increase of 4.5% to 5.5%
  - Drivers for the rate increase include
    - Interest expense on the bond (3.2%)
    - Depreciation Expense on Capital Projects (1.2%)
    - O&M costs to fund power, chemicals, CERS and Health Care (.75%)
- The proposed 2010-2019 Capital budget includes \$97.9million for 2010
  - Water Treatment Plants
    - In 2010 LWC will invest over \$20 million to upgrade the 100 year old Crescent Hill Treatment Plant
      - Upgrading the softening/coagulation Basins
      - Rebuilding the filters
      - Installation of a bleach grade chlorine generation facility
  - Infrastructure Replacement and Rehabilitation
    - In 2010 LWC will invest over \$12 million in replacing and rehabilitating aging water mains

- LWC has a model program that Utilities across the U.S. consider a best in class
  - This approach of systematically replacing the infrastructure has enabled the company to avoid billions of dollars of unfunded replacement costs that many communities are faced with
- Transmission Mains
  - LWC will invest over \$20 million in new transmission mains to improve reliability, fire flow and pressure
    - Interstate 64
    - Preston Highway
    - Gene Snyder
- Pumping and Storage
  - LWC will invest over \$17 million in construction of new water storage tanks and pump stations
    - Necessary to improve reliability, fire protection and water pressure
- Providing Water service to outside Jefferson County
  - Frankfort/Shelby County/Hardin County
    - Need for funding
    - Need an economic driver
    - No determined time line
- Low-Income assistance program
- Rate increase will go into effect January 1, 2010
- About \$39 million in the Infrastructure Replacement Reserve
- Pure Tap Program

## **Pending Legislation**

2-

[O-180-10-09 AN ORDINANCE AMENDING ORDINANCE NO. 91, SERIES 2009, RELATING TO THE FISCAL YEAR 2009-10 OPERATING BUDGET FOR THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, BY TRANSFERRING \\$15,000 OF FUNDING FROM THE NEIGHBORHOOD DEVELOPMENT FUND \(DISTRICT 9\) TO THE METRO COUNCIL GENERAL OPERATIONS \(DISTRICT 9\).](#)

**Status:** In-Committee  
**Committee:** Budget  
**Primary Sponsor:** Tina Ward-Pugh

Motion to approve made by Mary C. Woolridge and seconded by Cheri Bryant Hamilton

No discussion was held on the item.

The ordinance was approved.

VOTING RESULTS - For: 8; Against: 0; Abstain: 0; Absent: 2

For: Jim King, Hal Heiner, Cheri Bryant Hamilton, Kevin Kramer, Mary C. Woolridge, Rick Blackwell, Marianne Butler, Dan Johnson

Against: (None)

Abstain: (None)

Absent: Ken Fleming, Kelly Downard

This item was sent to **CONSENT CALENDAR**.

3-

[O-188-10-09 AN ORDINANCE AMENDING ORDINANCE NO. 90, SERIES 2009 AND ORDINANCE NO. 91, SERIES 2009 RELATING TO THE FISCAL YEAR 2009-10 CAPITAL AND OPERATING BUDGET FOR THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT, BY TRANSFERRING \\$25,000 FROM THE DISTRICT 5 CAPITAL INFRASTRUCTURE FUND TO THE DISTRICT 5 NEIGHBORHOOD DEVELOPMENT FUND.](#)

**Status:** In-Committee  
**Committee:** Budget  
**Primary Sponsor:** Cheri Bryant Hamilton

Motion to approve made by Mary C. Woolridge and seconded by Cheri Bryant Hamilton

No discussion was held on the item.

The ordinance was approved.

VOTING RESULTS - For: 8; Against: 0; Abstain: 0; Absent: 2

For: Jim King, Hal Heiner, Cheri Bryant Hamilton, Kevin Kramer, Mary C. Woolridge, Rick Blackwell, Marianne Butler, Dan Johnson

Against: (None)

Abstain: (None)

Absent: Ken Fleming, Kelly Downard

This item was sent to **CONSENT CALENDAR**.

4-

[O-187-10-09 AN ORDINANCE AMENDING ORDINANCE NO. 90, SERIES 2009 AND ORDINANCE NO. 91, SERIES 2009 RELATING TO THE CAPITAL AND OPERATING BUDGETS FOR FISCAL YEAR 2009-10, FOR THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT BY TRANSFERRING \\$15,000 OF CAPITAL CUMULATIVE RESERVE FUNDS RELATED TO THE MSD/ALGONQUIN PARKWAY PROJECT TO THE GENERAL FUND FOR THE METRO HOUSING RESOURCE CENTER PROGRAM FOR DISTRICT 6 UNDER THE ADMINISTRATION OF THE HOUSING & FAMILY SERVICES DEPARTMENT.](#)

**Status:** In-Committee  
**Committee:** Budget  
**Primary Sponsor:** George Unseld

Motion to approve made by Mary C. Woolridge and seconded by Marianne Butler

No discussion was held on the item.

The ordinance was approved.

VOTING RESULTS - For: 8; Against: 0; Abstain: 0; Absent: 2

For: Jim King, Hal Heiner, Cheri Bryant Hamilton, Kevin Kramer, Mary C. Woolridge, Rick Blackwell, Marianne Butler, Dan Johnson

Against: (None)

Abstain: (None)

Absent: Ken Fleming, Kelly Downard

This item was sent to **CONSENT CALENDAR**.

5-

[O-184-10-09 AN ORDINANCE APPROVING THE BUDGET AND ECONOMIC IMPROVEMENT PLAN](#)

FOR THE LOUISVILLE DOWNTOWN MANAGEMENT DISTRICT FOR THE PERIOD JANUARY 1, 2010 THROUGH DECEMBER 31, 2010.

**Status:** In-Committee  
**Committee:** Budget  
**Primary Sponsor:** David Tandy

Motion to approve made by Marianne Butler and seconded by Dan Johnson

Discussion: David Morris, Economic Development, along with Chris Seminski and Deb Valor, Downtown Management District, spoke to the item. Downtown Management District is a voluntary assessment district, where they tax themselves for various improvements. This was a continuation budget and revenue neutral budget. The District carries no debt and the revenues received each year were for capital replacements. The District utilized some of its Rainy Day Fund to address personnel issues and does not anticipate further use of those funds. New developments around the construction of the Downtown Arena are being discussed, but the anticipated revenues from those developments are not being projected for future revenues at this time. The committee requested a copy of the District's audited financial reports before next Metro Council meeting.

The ordinance was approved.

VOTING RESULTS - For: 8; Against: 0; Abstain: 0; Absent: 2

For: Jim King, Hal Heiner, Cheri Bryant Hamilton, Kevin Kramer, Mary C. Woolridge, Rick Blackwell, Marianne Butler, Dan Johnson

Against: (None)

Abstain: (None)

Absent: Ken Fleming, Kelly Downard

This item was sent to **CONSENT CALENDAR**.

6-

O-161-09-09 AN ORDINANCE AMENDING ORDINANCE NO. 90, SERIES 2009, RELATING TO THE CAPITAL BUDGET FOR FISCAL YEAR 2009-10 FOR THE LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT BY TRANSFERRING \$3,000,400 OF AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) FUNDING BETWEEN CAPITAL PROJECTS.

**Status:** In Committee - Held  
**Committee:** Budget  
**Primary Sponsor:** Jim King

This item **REMAINED HELD IN COMMITTEE**.

Motion to adjourn made by Kevin Kramer and seconded by Hal Heiner, without objection the meeting adjourned at 6:05PM

**\*NOTE: Items sent to the Consent Calendar or Old Business will be heard before the full Council at the Metro Council Meeting on November 5, 2009.**

KLP